Prince Edward Island
CANADA

Liquor Control Commission

2002 Annual Report

103-01631

Prince Edward Island Liquor Control Commission

54th Annual Report

For the Year Ended March 31, 2002

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Mission Statement

The mission of the Prince Edward Island Liquor Control Commission is to be a customer-driven organization that regulates the sale of alcohol, provides unsurpassed service and maximizes tax revenue while adhering to government policy.

Corporate Values

- **Moderation** – *We promote responsible use as a way of life.*
- **Quality Service** – *We take pride in the quality of our work. We strive for excellence in caring for our customers, suppliers and one another.*
- **Continuous Improvement** – *As a retailer, we welcome change. We are committed to continuous improvement to all our services.*
- **Integrity and Fairness** – *We take responsibility and are fully accountable for our actions, decisions and behaviour. We meet our commitments and obligations to co-workers, customers and business partners. We are open, honest and fair.*
- **Importance of People** – *We are committed to fostering a positive workplace that builds teamwork, mutual respect and encourages individual development.*
- **Focus on Results** – *We are committed to getting the job done and improving our productivity levels.*

Corporate Vision

The Prince Edward Island Liquor Control Commission will be recognized as a truly superior retailer in Prince Edward Island. We will achieve this through quality products, modern technology and increased services. We intend to build better relationships with customers and suppliers. We will always strive for the best possible value for our customers, staff and other stakeholders.

Message From the Minister

The Honourable J. Léonce Bernard
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May It Please Your Honour:

Pursuant to the *PEI Liquor Control Act*
and as Minister designate,
it is my privilege to submit the
54th Annual Report of the
Prince Edward island Liquor Control Commission.

Respectfully submitted,

Jeffrey E. Lantz
Minister of Tourism
Minister Responsible for
the Liquor Control Commission

Message From the Chairman

The Honourable Jeffrey E. Lantz
Minister of Tourism and
Minister Responsible for the Liquor Control Commission
PO Box 2000
Charlottetown, PE C1A 7N8

Sir:

In compliance with Section 87(3) of the *PEI Liquor Control Act*, I have the honour to submit the 54th Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 2001, to March 31, 2002.

Respectfully submitted,

W.J.R. (Mac) Macdonald
Chairman

Message From the CEO

Mr. W.J.R. (Mac) Macdonald, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Macdonald:

I am pleased to report that fiscal 2001-2002 was another great success for the Prince Edward Island Liquor Control Commission – another record year. We recorded the highest gross sales in our history – more than $63 million which is 5.5 per cent higher than the previous year. That we achieved this growth over the millennium year is a tribute to all PEILCC employees in the stores and our senior management team. Thanks to their efforts, aided by effective retailing and merchandising, and a strong tourist season, we also recorded the highest dividend transfer in our history – $25,882,179 to the Provincial Government.

For fiscal 2002-2003, the commission plans on opening a new modern retail liquor store in Wood Islands, PEI. This will improve service for the residents from Murray Harbour to Belfast. With this new store in place, all Island residents will have access to a liquor outlet within 16 kilometres.

In addition, the commission will be investing in an interactive Web site that will allow licensees to place an order online. We will also complete the data warehouse storage area which will provide the reports necessary to manage our business efficiently.

The commission will continue to provide a wide range of training opportunities for staff including product knowledge, progressive retailing, and customer service related programs along with programs associated with corporate health and safety.

The commission will also participate in a social responsibility program on "hosting" during the next fiscal year and we will continue to improve our operations, customer satisfaction and promote moderation.

We would like to thank our customers, suppliers, employees and the Board of Commissioners for their support throughout the year.

Yours truly,

Wayne A. MacDougall
Chief Executive Officer

Management's Report

Mr. W.J.R. Macdonald, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Macdonald:

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the commission. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with generally accepted accounting principles.

The commission maintains an accounting system and related controls to provide management and the commission with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Wayne A. MacDougall
Chief Executive Officer

Gordon D. Greene
Director of Finance

Board of Commissioners

Back row from left:
Gerard LeClair, Member; Diane Douse, Member; Doug MacEwen, Member; Pam Campbell, Secretary; Michele Murphy, Solicitor.

Front from left:
Dana Coulson, Vice-chair; W.J.R. (Mac) Macdonald, Chair; Wayne MacDougall, CEO.

Executive Management

Back row from left:
James B. Johnston, Director of Purchasing and Distribution; Fred J. MacDonald, Director of Marketing.

Front row from left:
Gordon D. Greene, Director of Finance; Wayne A. MacDougall, CEO; Ken M. Hicks, Director of Licensing and Security.

Organizational Chart

Jeffrey E. Lantz
Minister Responsible

W.I.R. (Mac) Macdonald
Chair

Dana Coulson
Vice Chair

Doug MacEwen
Member

Gerard LeClair
Member

Diane Douse
Member

Wayne A. MacDougall
Chief Executive Officer

Lynn Duffy
Payroll and Personnel

Pamela J.S. Campbell
Administrative Assistant

Ken Hicks
Director
Licensing and Security

Fred MacDonald
Director
Marketing

Gordon Greene
Director
Finance

James Johnston
Director
Purchasing and Distribution

18 Retail Liquor Outlets and One Agency Store

Alberton
Borden-Carleton
Cardigan
Charlottetown Mall
Cornwall
Kensington
Montague
North Rustico
Oak Tree
O'Leary
Queen Street
Sherbrooke
Souris
Stratford
Summerside
Tignish
Tyne Valley
Wellington

Morell Agency Store

Executive Summary

The Prince Edward Island Liquor Control Commission (PEILCC) is a crown corporation responsible for the administration of the *PEI Liquor Control Act* and Regulations, along with the purchase, control, and sale of all beveraged alcohol in the province.

A five-member board of commissioners is responsible for the commission's activities. The chairperson reports to the Minister of Tourism who is also Minister Responsible for the *PEI Liquor Control Act*.

The mandate under the *PEI Liquor Control Act* has two primary components – regulatory and commercial.

The regulatory function is carried out by the commission's Licensing and Security Department which is responsible for licensing and inspecting all licensed premises and special permit functions.

It also investigates and reports on all licensee complaints and determines whether there were infractions of the *PEI Liquor Control Act*.

On the commercial side, the commission is a major force in the provincial economy with sales in excess of $63 million making it one of the largest retail organizations in Prince Edward Island.

In terms of monetary transfers to the Provincial Treasury, this year was the greatest transfer ever with more than $25.9 million forwarded to the province.

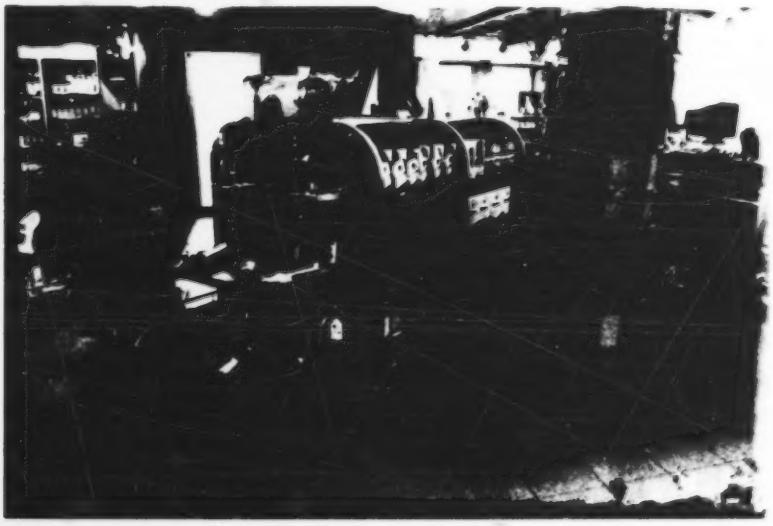
The commission presently operates 18 retail outlets of which 17 are self-serve in design and one is conventional or counter-type. In addition, the commission operates a central warehouse and Licensee Distribution Centre located in Charlottetown and the commission has contracted with private interests for the operation of an Agency Store in Morell, PEI.

During any given month, PEILCC stores have donation canisters at the cash registers in order to raise funds for special causes or people in need in the community. Fundraising, through cash cans and other campaigns in our stores, contributes significantly to the community we serve.

This method of fundraising is increasing in popularity and some of the initiatives supported by the PEILCC are:

- IWK
- Canadian Diabetes Association
- Muscular Dystrophy
- Unicef
- MADD
- SADD
- Autism Society of PEI
- PEI Humane Society
- QEH Hospital Foundation
- Prince County Christmas Daddies
- Save the Children Fund
- Shriners
- Parkinson's
- Crohn's and Colitis

The commission also supports local sport and charity organizations by allowing these groups to sell fundraising tickets at a number of our retail outlets and have supported the Royal Canadian Legion and the PEI Police Association through the sale of poppies and a CD for the respective organizations.



Sommaire

La Régie des alcools de l'Île-du-Prince-Édouard (R.A.Î.-P.-É.) est une société de la Couronne responsable de l'administration de la *Liquor Control Act* (Loi sur les alcools) et de ses règlements ainsi que de l'achat, du contrôle et de la vente de toutes les boissons alcoolisées dans la province.

Un conseil formé de cinq commissaires est responsable des activités de la Régie. Le président se rapporte au ministre du Tourisme qui est également ministre responsable de la *Loi sur les alcools*.
En vertu de la *Loi sur les alcools*, le mandat de la Régie deux volets : l'un est réglementaire, l'autre commercial.

La fonction réglementaire est assumée par le Service de délivrance des permis qui est responsable de l'octroi des permis et de l'inspection de tous les débits de boisson ainsi que des activités entourant les permis spéciaux.

Le Service de délivrance des permis se charge également d'enquêter et de faire rapport à propos des plaintes, et il décide s'il y a eu infraction ou non à la *Loi sur les alcools*.

Du côté commercial, la Régie est une force économique importante de la province; ses ventes qui dépassent les 63 millions de dollars en font l'un des plus grands commerces de détail de l'Île-du-Prince-Édouard.

La présente année, exprimée en transferts monétaires, représente le plus fort apport au Trésor de la province, soit 25,9 millions de dollars.

À l'heure actuelle, la Régie exploite dix-huit (18) points de vente de services au détail dont dix-sept (17) sont conçus pour le libre-service et un (1) sont de type conventionnel ou comptoir. De plus, la Régie exploite un entrepôt central et un centre de distribution pour les titulaires de licences, à Charlottetown, et elle a conclu un contrat avec des intérêts privés afin d'exploiter un magasin de franchise à Morell, Î.-P.-É.

En tout temps, les magasins de la R.A.Î.-P.-É. ont des boîtes de dons aux caisses enregistreuses, lesquelles servent à recueillir des fonds pour des causes particulières ou pour des membres de la communauté qui sont dans le besoin.

Le financement au moyen de boîtes servant aux dons en espèces et à d'autres campagnes faites dans nos magasins contribue beaucoup aux communautés que nous desservons. Cette méthode de collecte de fonds devient de plus en plus populaire et voici la liste de certaines initiatives appuyées par la C.A.Î.-P.-É. :

- I.W.K.
- Association canadienne du diabète
- Dystrophie musculaire
- Unicef
- MADD
- SADD
- Autism Society of PEI
- Prince Edward Island Humane Society
- Fondation de l'hôpital Queen Elizabeth
- Prince County Christmas Daddies
- Save the Children Fund
- Shriners
- Maladie de Parkinson
- Fondation canadienne des maladies inflammatoires de l'intestin

La Régie appuie également les organismes locaux de sport et de charité, ce qui permet à de tels groupes de vendre des billets de demande de fonds à certains de nos points de vente. Finalement, la Régie appuie la Légion royale canadienne et la PEI Police Association par l'intermédiaire de la vente de coquelicots et d'un CD pour chacune des organisations en question.

Store Operations and Merchandising

Great things are happening at the Liquor Control Commission. The commission has a total of eight new or renovated stores and has scheduled one for renovations next fiscal year. These are ultra modern and replaced old, tired and worn stores making the shopping experience much more pleasurable and meeting the expectations of today's more demanding customer.

- The commission totally renovated the Cardigan Liquor Store and provided its customers with a self-serve shopping environment, cold beer, and a new, pleasant, expanded retail area. This newly renovated store re-opened April 2, 2001.
- On June 26, 2001, the Summerside Waterfront Liquor Store re-opened its doors after a complete renovation now providing our customers with cold beer, bottle-your-own wine, increased product selection, and a modern, pleasant shopping environment.

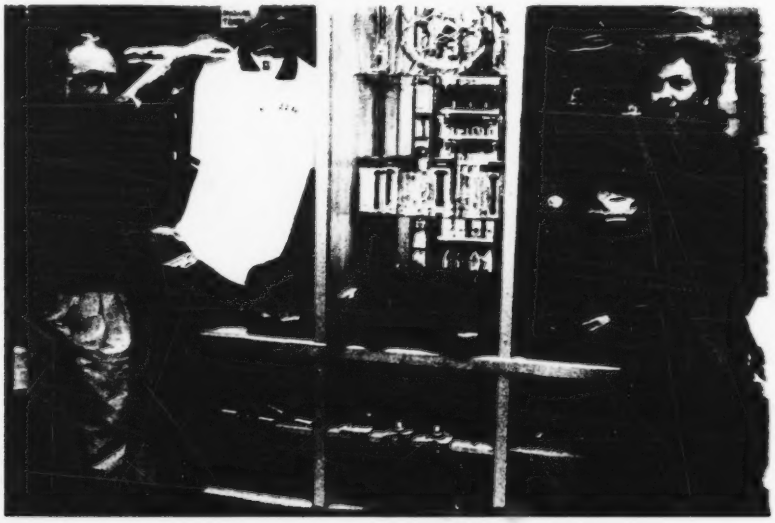
The commission will continue to make investments in the remaining retail stores over the next five years. The new design calls for each store to have cold beer, a merchandise boutique, additional products and modern shelving, in a brighter, cleaner interior and exterior.

Our annual Winefest is fast becoming a very popular festival on the Island, and the 7th Winefest was again a great success with ticket sales up 12.4 percent. The Island Hospice Association was the benefactor of $4,600 receipts from the third annual Silent Auction held during Winefest.

Our employees are committed to improving their product knowledge and customer service skills and the commission is committed to providing this training for them. Numerous training sessions were provided to staff during this fiscal year and we will continue to find ways to increase employee satisfaction because we believe satisfied employees help create satisfied customers.

Amendments have been made to the *Liquor Control Act* Regulations changing the designated holidays by removing Victoria Day and Canada Day. The commission will now have its retail stores open on these holidays providing our customers with better service.

The commission has a staff complement of 131 classified full- and part-time positions and 65 full- and part-time casuals to meet seasonal demands.



Financial

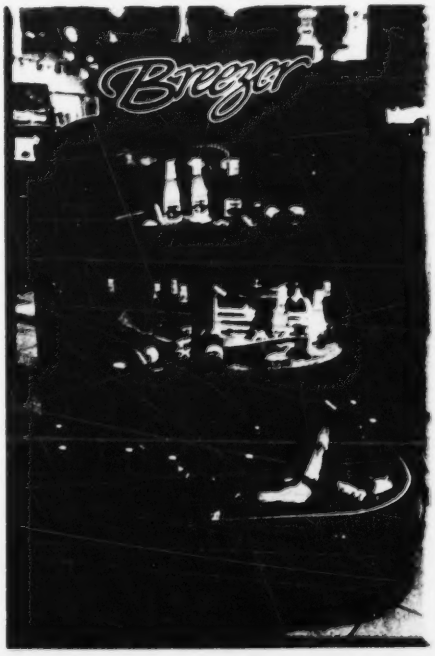
For the fiscal year ended March 31, 2002, gross sales were $63,716,376. This is an increase of $3,320,899 over the previous year.

Net profit for the year, plus health and sales taxes, totalled $25,882,179. This is an increase over the 2001-2002 contribution to the province by $1,020,912 and represents our best year ever in terms of monetary transfers to the Provincial Treasury.

The commission's business is international in scope with approximately $25.6 million spent on the purchase of beveraged alcohol. Sales increased in both wholesale and retail channels across the province over the previous year. Volume sales increased at the same rate as dollar sales which means the commission did not increase revenues by raising prices. This significant increase was accomplished by growing the business.

During February and March of 2002, the commission implemented a new computerized system. This system has point-of-sale software at each store called Market2 and Oracle software at the head office. The system is totally integrated and will provide management information the commission requires.

Although the commission has refocused and refashioned its position in the marketplace, it is well aware of its vital leadership role in ensuring responsible use.



This goes beyond refusing to serve persons of questionable legal drinking age or who appear to be intoxicated. The commission has become the headlight in the area of responsibility partnering with organizations, both within and outside its business boundaries, in bringing awareness of the problem of abuse of beveraged alcohol.

Numerous store promotions, Wine Festival literature, water safety, police associations and school events are some of the areas that assist the commission in fulfilling this side of its mandate.

The commission is proud that it has been able to complete project tasks on its long-range, Five-Year Business Plan on a consistent basis and, at the same time, adding new ones while continuing to operate in a most efficient and professional manner.

In closing, the commission is proud of its achievements and of its record transfer to the Provincial Government.

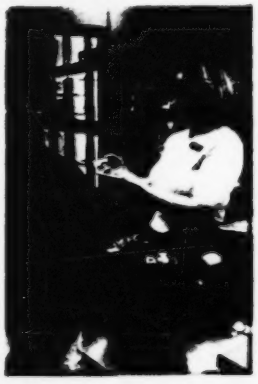
Regulatory Activities

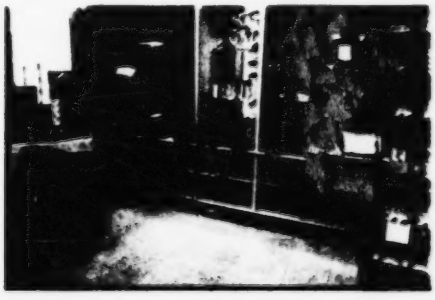
The Licensing and Security Department, during the 2001-2002 fiscal year, performed 5,731 inspections at licensed premises. During these inspections, they checked 2,585 people for proper identification; dealt with control, overserving and overcrowding; and other areas of responsibility.

The inspection staff, in cooperation with the police, health officials and Fire Marshal, performed joint inspections when required. These investigations involved overcrowding and inappropriate behaviour within the premises. No charges were laid as a result of these inspections.

Staff will continue to work to ensure compliance with the respective acts and regulations.

Liquor store staff have had an active year ensuring that persons under 19 years of age do not receive alcohol. The staff served approximately 2,062,878 customers and licensees. They checked 19,318 customers for proper age and for intoxication, turning away 361. Store personnel consider this an important part of their duties and will continue their efforts in these areas.





Social Responsibility

During the 2001-2002 fiscal year the commission expanded its commitment to social responsibility in the area of the service of alcohol. Some of the activities the commission participated in were:

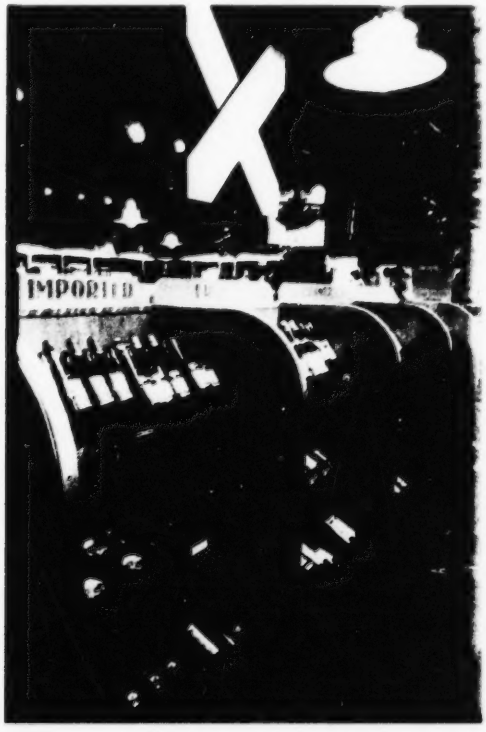
- At Christmas, a Paper Bag Program where grade school students drew and coloured their own *Don't Drink and Drive* messages on the bags provided and later used by the commission at stores over the busy Christmas season.
- National campaign on *Don't Buy for Minors*.
- Responsible-use messages at Christmas.
- Information on Fetal Alcohol Syndrome distributed throughout the stores.
- Bookmark program in conjunction with a local SADD chapter.

The commission has a strong commitment to social responsibility and will continue to expand this area in the coming years.

Acknowledgements

The achievements outlined in this document can only be accomplished with the loyalty and dedication of our employees. The valued support and guidance of the Board of Commissioners is equally important and gratefully acknowledged.

The commission acknowledges the valuable assistance of the RCMP, municipal police departments, fire marshal and other enforcement agencies throughout the province; as well as other provincial and federal government departments.



Sales by Retail Stores 2001/2002

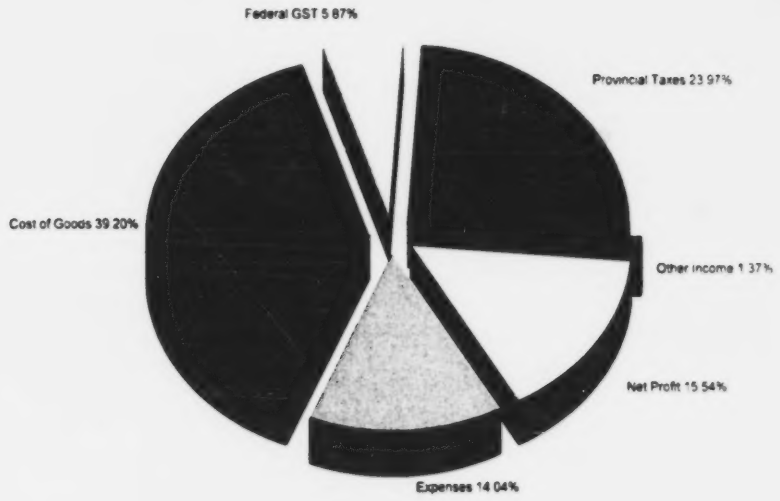
Retail Store	Year Ended March 31, 2002	Year Ended March 31, 2001	Increase (Decrease)
Alberton	1,319,546	1,270,944	*48,602*
Borden/Carleton	1,333,687	1,280,093	*53,594*
Cardigan	1,668,179	1,266,703	*401,476*
Charlottetown Mall	5,901,710	5,904,752	*(3,042)*
Charlottetown - Queen St.	3,826,990	4,196,993	*(370,003)*
Cornwall	2,939,482	2,694,811	*244,671*
Kensington	2,693,609	2,573,838	*119,771*
Licensee Distribution Centre	5,879,029	5,548,911	*330,118*
Montague	3,794,619	3,887,362	*(92,743)*
North Rustico	2,791,820	2,523,615	*268,205*
O'Leary	1,414,585	1,356,067	*58,518*
Oak Tree Place	10,208,577	9,076,590	*1,131,987*
Sherbrooke	5,086,540	5,347,987	*(261,447)*
Souris	2,167,636	2,139,648	*27,988*
Summerside Waterfront	3,934,848	3,120,123	*814,725*
Stratford	4,830,837	4,433,723	*397,114*
Tignish	1,711,950	1,604,795	*107,155*
Tyne Valley	902,934	863,139	*39,795*
Wellington	1,101,102	1,040,473	*60,629*
Warehouse	208,696	264,910	*(56,214)*
Total	**63,716,376**	**$60,395,477**	*3,320,899*

Summary of Profit and Expense Ratios Five-year Comparison

(in 000s)

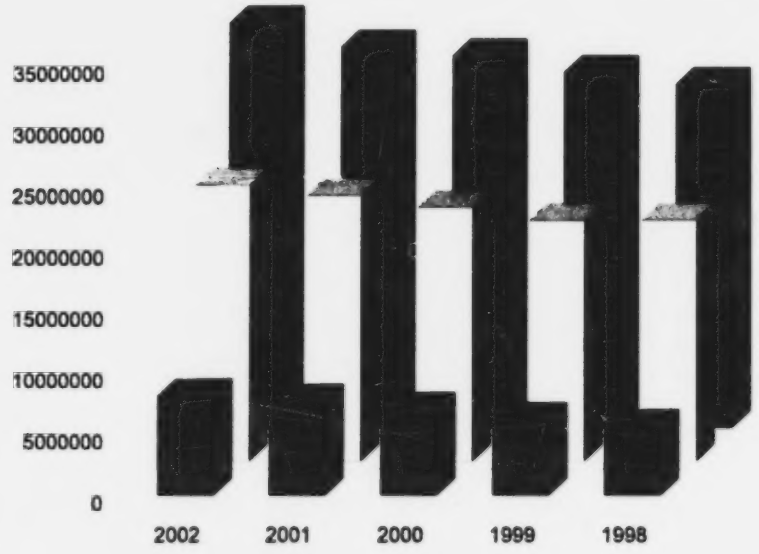
	1998	1999	2000	2001	2002
Sales	$53,093	$54,683	$57,910	$60,395	$63,716
Gross Profit	$15,692	$15,783	$16,849	$17,437	$18,482
Net Profit	$9,800	$9,658	$10,383	$10,035	$10,178
General and Administration Expenses	$6,837	$7,101	$7,542	$8,492	$9,201
Gross Profit as Percentage of Sales	29.6%	28.9%	29.1%	28.9%	29.0%
Net Profit as Percentage of Sales	18.5%	17.7%	17.9%	16.6%	16.0%
General and Administrative Expenses as Percentage of Sales	12.9%	13.0%	13.0%	14.1%	14.4%

Income Allocation
Year Ended March 31, 2002



	Sales		$63,716,376	
	Other Income		897,206	
	Provincial Taxes	$15,703,874		
	Federal GST	3,847,270		
	Cost of Goods	25,683,486		
	Expenses	9,200,647		
	Net Profit			**$10,178,305**

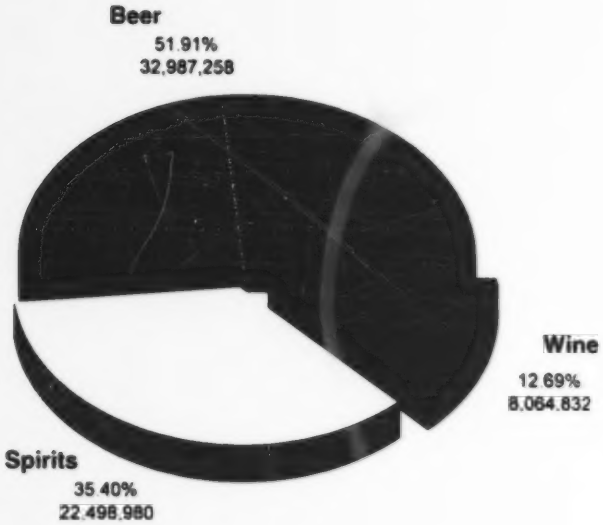
Sales Comparison 1998-2002



	Five-Year Trend	2002	2001	2000	1999	1998
	Beer	$32,987,258	$31,002,745	$30,280,339	$28,930,827	$27,929,485
	Spirit	$22,498,984	$21,642,547	$20,669,108	$19,616,717	$19,620,173
	Wine	$8,064,832	$7,603,390	$6,922,733	$6,109,278	$5,543,314

Merchandising sales figures for 2002 were $165,302 compared to merchandising sales figures for 2001 which were $146,795. These figures are not included in the above chart or table.

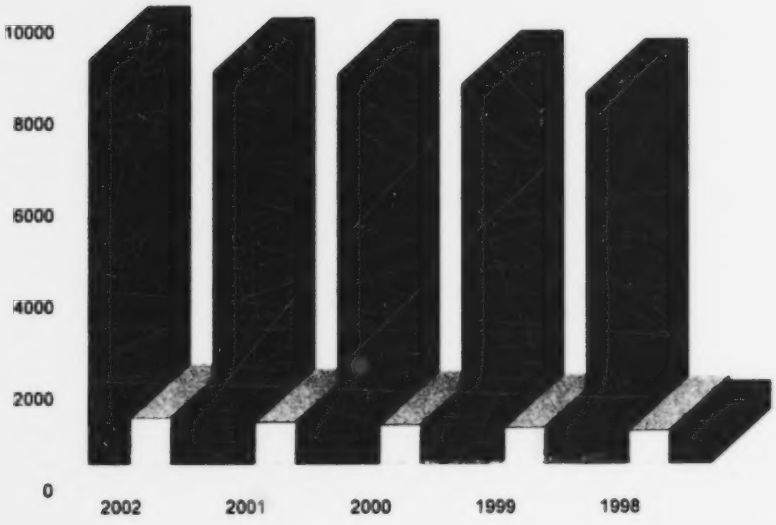
Sales – Year Ended March 31, 2002



Sales in Dollars		
	Beer	$32,987,258
	Spirits	22,498,984
	Wine	8,064,832
	Total	**$63,569,581**

Sales figures for 2002 also include $165,302 for merchandising which is not included in the above chart or table.

Volume Sales
Five Years Ended March 31, 2002



	Five-Year Trend	2002	2001	2000	1999	1998
	Beer	8,794	8,537	8,479	8,240	8,050
	Spirit	987	883	823	757	689
	Wine	772	741	692	642	615

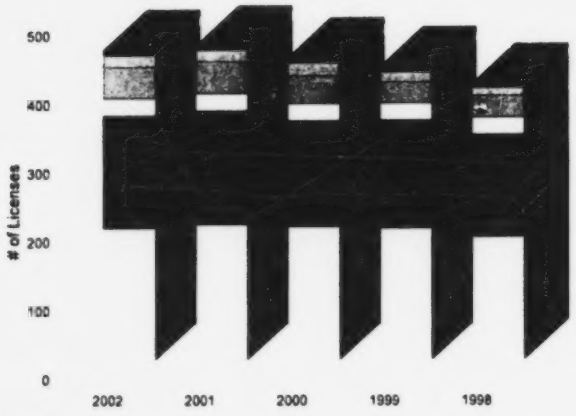
Figures are in kilolitres

Licences in Effect
March 31, 2001 and March 31, 2002

Licence Type	2002	2001
Dining Room	192	197
Lounge	92	92
Club	72	74
Military Canteen	24	24
Special Premise	45	46
Caterer	17	17
Agency Store	1	1
Winery	1	1
Brew-Pub	0	0
Micro-Brewery	1	1
Tourist Home	5	3
Total Licences in Effect	**450**	**456**

During the 2001-2002 fiscal year,
the Licensing and Security Department issued 59 new licences
and 65 licences were either not renewed or were voluntarily surrendered.

Licences in Effect
Five-year Comparison



		2002	2001	2000	1999	1998
	Dining Room	192	197	194	192	179
	Lounge	92	92	81	82	76
	Club	72	74	73	75	73
	Military Canteen	24	24	24	24	24
	Special Premise	45	46	40	30	31
	Caterer	17	17	19	15	12
	Agency Store	1	1	1	1	1
	Winery	1	1	1	1	1
	Brew-Pub	0	0	1	1	1
	Micro-Brewery	1	1	0	0	0
	Tourist Home	5	3	4	4	2
Totals		**450**	**456**	**438**	**425**	**400**

Premises Licensed 2001/2002

Caterers
Loyalist Country Inn
Rodd Crowbush Golf and Beach Resort
Barry's Pub and Eatery

Dining Rooms
Alcatraz Restaurant
Tara Café and Grille
The Gahan House Restaurant
The Landing Oyster House
The Harp and Thistle Restaurant
McAssey's Dining Room
Millstream Family Restaurant
Rodd Crowbush Golf & Beach Resort
Melons
Coffee Cup Cafe
Waterworks Tap House & Grill 2002
Rumrunner's Restaurant & Pub
Hooligans Pub & Grub
Nautical Winds Restaurant
JD's Pub
Dooly's Dining Room
Rainbow Room Cavendish
Rainbow Valley Catering Area
Tasty's Diner & Coffee Shop
Sharky's Seafood Restaurant
Piazza Joe's Sampler
Shipwreck Point Café
Avalanche Restaurant
Victoria Village Inn & Restaurant
Briarwood Inn & Cottages
Mexico Lindo
Me & Mom's Cafe
Seaside Dairy Bar & Take Out
Bogarts
Airport Café
Royal Star Seafood Market & Eatery
Anthony's Fine Italian Cuisine

Total Licences Issued = 59

Special Premises
Summerside Golf and Country Club
Darnley Greens Golf Course
Countryview Golf Club
Piper's Pub
Airport Café

Lounges
Alcatraz Lounge
Tara Café and Grille Lounge
The Gahan House Lounge
The Landing Oyster House Pub
The Harp & Thistle Pub
McAssey's Lounge
Rodd Crowbush Golf & Beach Resort
Melons
Coffee Cup Café Lounge
Waterworks Tap House & Grill 2002
Rumrunner's Restaurant & Pub
Hooligans Pub & Grub
Nautical Winds Lounge
JD's Lounge
Black Barts
Dooly's Lounge

Tourist Homes
Johnson Shore Inn
Bradley Inn

Club
Charlottetown Lions Club

Licences Not Renewed/Surrendered 2001/2002

Caterers

Privateers Great Seafood
Trailside Cafe
Victoria Village Inn

Dining Rooms

Waterworks Tap House & Grill 2002
Idle Oars Restaurant
Charlottetown Airport Diningroom
Lone Star Cafe
Barney's Restaurant
Coach's Corner Dining Room
Mario's Pizzaria
Country Steakhouse
The Polly Restaurant
Water St. Restaurant
Hooligans Pub & Grub
Rye's Deli
JD's Pub
Fiddles & Vittles Restaurant
Little Christos
Privateers Great Seafood
Amanda's Restaurant
Little Mermaid
Acadian Acres Tea Room
The Works Restaurant
Bayview Restaurant
Queens Arms Motel Dining
Peter's Grocery & Grill
Seaside Diner
Tasty's
Little Christos Borden
Red Rock Lobster Shop & Café
Victoria Village Inn
Anne of Red Doors Coffee House
Capt. Bully Forbes' Chowder Pot
Papianno's
Ducky's Restaurant
Me & Mom's Café
Seaside Dairy Bar & Take Out
Bogarts
Airport Café
Anthony's Fine Italian Cuisine

Lounges

Shakers
Waterworks Tap House & Grill 2002
Lone Star Café Lounge
Barney's
Queen's Arms Motel Lounge
Coach's Corner Lounge
The Works Lounge
B.J.'s Lounge
Country Steakhouse Lounge
The Polly Lounge
Water St. Pub
Hooligans Pub & Grub
Seaside Diner Lounge
Rye's Pub
JD's Lounge
Black Barts

Special Premises

Charlottetown Airport Lounge
Dooly's Elmsdale
The Club (Summerside)
Summerside Golf Club Lounge
Fairway's Take-out and Lounge
Airport Café

Clubs

Charlottetown Lions Club
Ch'town K of C/Columbia Club
Montague Lions Hall

Licences Not Renewed/Surrendered = 65

Permits Issued 2001/2002

Permit	2002	2001
Class I (non-sale)	52	55
Class II (resale)	238	238
Total	290	293

Special Authorizations

During the 2001-2002 fiscal year, the licensing department authorized 116 requests for Special Functions in licensed premises under sections 75, and 95 of the *Liquor Control Act* Regulations. These functions were given to cover community events.

Licence Suspensions

During the 2001-2002 fiscal year, the PEI Liquor Control Commission suspended the following licences for violations under the *Liquor Control Act* and Regulations and Policy:

- Melon's Lounge
  Suspension – seven days
  (violation: after hours service, control, liquor being taken from premises)

- Myron's Lounge
  Suspension – two days
  (violation: serving after hours and failure to clear premises as required)

Regulatory Changes

During the 2001-2002 fiscal year, regulatory changes were made as follows:

Sections 18, 27, 38, 48, 50.1(7), 50.3(6), 50.4(6), 50.5(2), 50.6(9):
providing for the payment of a non-refundable application fee for each type of licence issued by the commission.

Sections 20.2, 27.1, 38.1, 50.2(4.1), 50.5(3):
allowing the commission to impose terms on all licences issued by the commission.

Sections 26, 37, 43:
provides for lounges to be open on Sundays from 12 noon to 12 midnight

Sections 25, 36, 46:
requires the demanding of proof of age.

Section 54.1(8):
giving commission authority to cancel, suspend, or refuse to issue a certificate of training.

Section 70.1(1):
definition of "registration certificate."

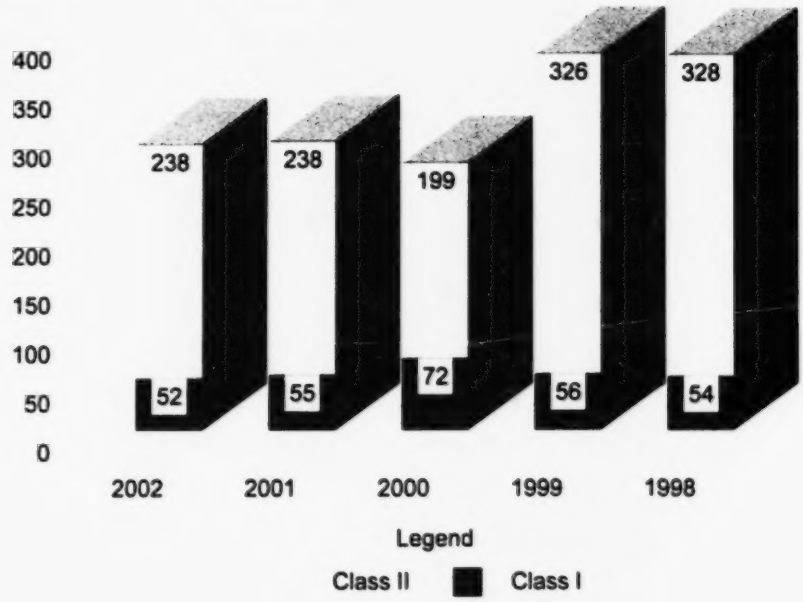
Section 70.1(2)(3):
gives commission the authority to cancel or suspend a licence for not holding a valid tax registration certificate.

Section 90(3):
adjusted to allow stores to open on Victoria Day and Canada Day.

Licence Cancellations

- Queen's Arms Diningroom Lounge (not providing required services)

Permits Issued
Five-year Comparison



		2002	2001	2000	1999	1998
	Class I	52	55	72	56	54
	Class II	238	238	199	326	328

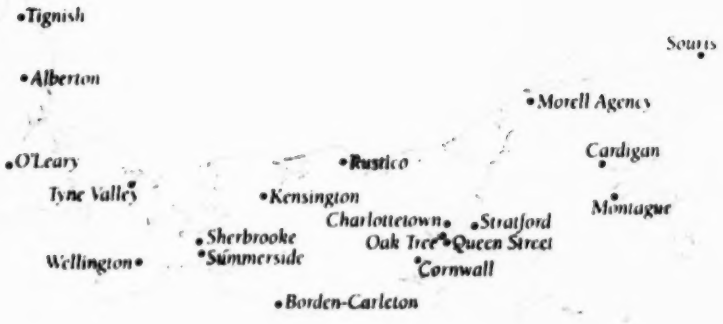
A Class I permit entitles host to give beverages to guests.

A Class II permit entitles host to sell beverages to guests.

There has been a marked decrease in Class II permits over the last three years owing in part to increased awareness of host liability.

Prince Edward Island Liquor Control Commission

Retail Outlets



Prince Edward Island Retail Liquor Outlets

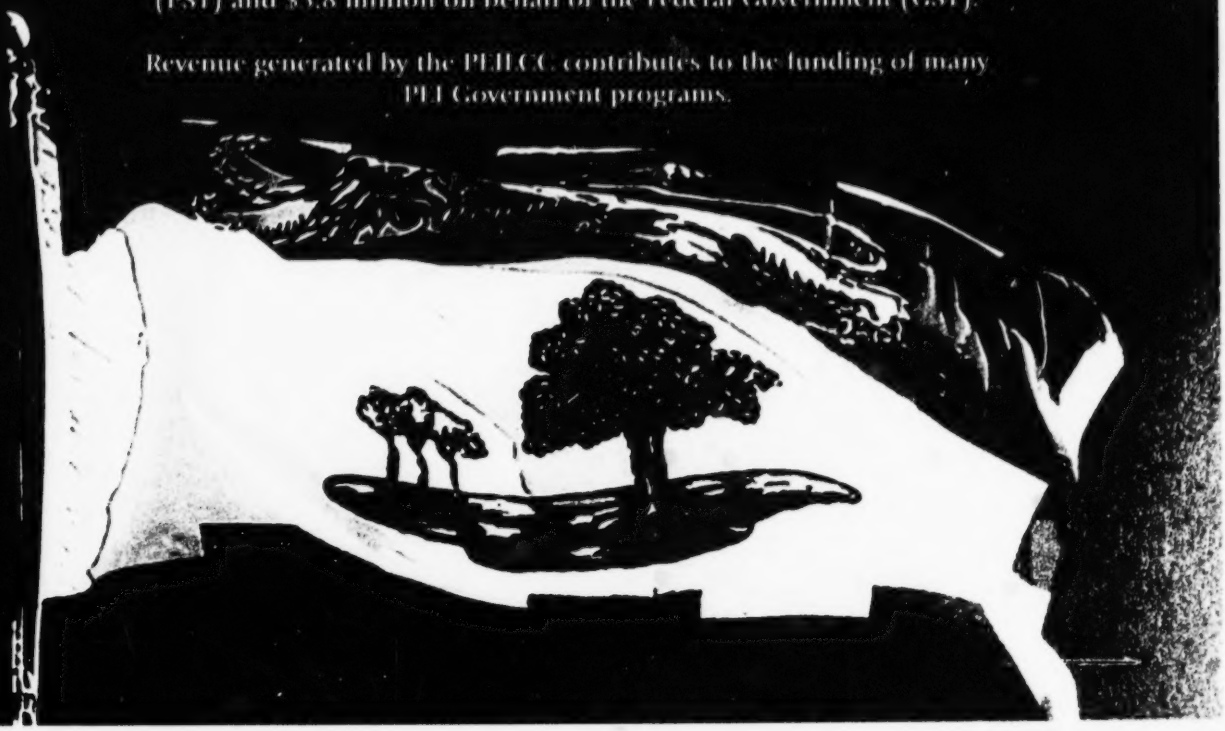
Location	Manager	Location	Manager
Alberton	Robert White	O'Leary	Robert White
Borden-Carleton	Donald Howatt	Queen Street	Urban MacDonald
Cardigan	Joseph MacDonald	Sherbrooke	Ronald Yeo
Charlottetown Mall	Stan Bryanton	Souris	Paul Deveau
Cornwall	William MacMillan	Summerside Waterfront	Barb Simpson
Kensington	Terry Lynn MacKenzie	Stratford	Charles Hansen
Montague	Richard Llewellyn	Tignish	Stephen Callaghan
Morell Agency	Jim Anderson	Tyne Valley	Clarence Richard
North Rustico	Terry Lynn MacKenzie	Wellington	Clarence Richard
Oak Tree	John Abbott		

Efficient Monetary Management

1.04% Warehouse & Distribution
3.28% Administration
12.09% Store Operations
37.76% Profit
45.83% Cost of Stock

In the 2001-2002 fiscal year, over and above the $21.2 million profit ($10.2 million in net profit and $11 million in Provincial Health Tax), the PEILCC collected $4.7 million on behalf of the Provincial Government (PST) and $3.8 million on behalf of the Federal Government (GST).

Revenue generated by the PEILCC contributes to the funding of many PEI Government programs.



Appendix

Auditor's Report and Audited Financial Statements

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2002

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Liquor Control Commission

I have audited the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 2002 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Allan Moore, CA
for J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
June 24, 2002

STATEMENT 1

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

AS AT MARCH 31, 2002

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash	$ 2,899,875	$ 478,123
Accounts receivable	158,327	100,143
Inventories - Note 1(b)	2,989,151	2,842,947
Prepaid expenses	97,003	72,675
	6,144,356	3,493,888
Capital Assets - Notes 1(a) and 2	4,601,607	3,431,564
	$10,745,963	$6,925,452
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accruals - General	$ 1,558,806	$ 792,472
- Province of P.E.I.	69,179	45,672
Debentures payable - current portion - Note 3	571,746	392,724
Due to the Province with respect to net income - Note 1(c)	4,041,487	2,644,622
	6,241,218	3,875,490
LONG TERM LIABILITIES		
Debentures payable - Note 3	4,504,745	3,049,962
	$10,745,963	$6,925,452

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE COMMISSION:

COMMISSIONER: _____

COMMISSIONER: _____

STATEMENT 2

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2002

		2002		2001
SALES		$63,716,376		$60,395,477
Less: Provincial Health Tax	$10,982,205		$10,407,596	
Provincial Sales Tax	4,721,669		4,418,932	
Federal Goods & Services Tax	3,847,270	19,551,144	3,826,398	18,652,926
NET SALES		44,165,232		41,742,551
COST OF GOODS SOLD		25,683,486		24,305,593
GROSS PROFIT		18,481,746		17,436,958
EXPENSES				
Amortization	569,541		411,248	
Insurance and taxes	150,828		147,364	
Interest on long-term debt	269,637		242,934	
Leases - Note 4	737,924		641,848	
Other operating expenses	475,651		433,201	
Repairs and maintenance	256,105		378,971	
Salaries and benefits - Note 5	5,890,125		5,406,895	
Store and office expense	267,430		296,985	
Travel	112,939		103,888	
Utilities	470,467	9,200,647	428,760	8,492,094
		9,281,099		8,944,864
OTHER INCOME		897,206		1,089,875
NET INCOME - Note 1(c)		$10,178,305		$10,034,739

(The accompanying notes are an integral part of these financial statements.)

STATEMENT 3

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2002

Cash provided by (used for):	2002	2001
OPERATING ACTIVITIES		
Net Income for the year	$10,178,305	$10,034,739
Amounts charged against income not requiring an outlay of cash:		
Amortization	569,541	411,248
(Gain) Loss on disposal of capital assets	227,337	(19,746)
	10,975,183	10,426,241
Changes in non-cash working capital:		
(Increase) Decrease in accounts receivable	(58,184)	96,054
(Increase) Decrease in inventories	(146,204)	(410,947)
(Increase) Decrease in prepaid expenses	(24,328)	(23,990)
Increase (Decrease) in accounts payable	789,841	(890,115)
Increase (Decrease) in current portion of debentures	179,022	55,614
Net cash provided by operating activities	11,715,330	9,252,857
FINANCING ACTIVITIES		
Cash payments to Provincial Treasury	(8,781,441)	(9,178,335)
Loans from Province	2,026,530	400,000
Obligations for debenture repayment	(571,748)	(392,723)
Net cash used for financing activities	(7,326,659)	(9,171,058)
INVESTING ACTIVITIES		
Acquisition of capital assets	(1,966,919)	(822,088)
Proceeds on disposal of capital assets	-	42,695
Net cash used for investing activities	(1,966,919)	(779,393)
Increase (Decrease) in cash	2,421,752	(697,594)
Cash at beginning of year	478,123	1,175,717
Cash at end of year	$ 2,899,875	$ 478,123

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002

1. Summary of significant accounting policies

(a) Capital Assets
Capital assets are stated at cost less accumulated amortization. Amortization of buildings, furniture and equipment and leaseholdimprovements are calculated on a straight-line basis at the rates indicated in Note 2.

(b) Inventories
Inventories are valued at the lower of first-in, first-out cost and net realizable value.

(c) Net Income
All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Operating Fund on a continuing basis as excess cash becomes available.

2. Capital Assets

		2002			2001
	Amortization Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		$ 85,537	$ -	$ 85,537	$ 85,537
Buildings	5%	3,491,603	2,612,228	879,375	888,493
Equipment	10 & 20%	1,125,134	945,443	179,691	197,929
Vehicles	30%	102,441	102,441	-	25,477
Leasehold Improvements	10%	3,365,637	1,119,853	2,245,784	1,937,755
Integrated Business Management System	20%	1,387,997	176,777	1,211,220	296,373
		$9,558,349	$4,956,742	$4,601,607	$3,431,564

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2002

3. Debentures Payable - Province of Prince Edward Island

	Balance March 31, 2002	Less Current Portion	Long Term Liability
Integrated Business Management System Repayable in equal annual installments of $185,075 including interest @ 9.40% per annum, maturing November 1, 2004.	$ 465,158	$141,350	$ 323,808
Cornwall Repayable in equal annual installments of $35,184 including interest @ 6.75% per annum, maturing December 10, 2006.	145,232	25,380	119,852
Stratford Repayable in equal annual installments of $40,415 including interest @ 7.375% per annum, maturing February 10, 2007.	164,057	28,314	135,743
Borden - Carleton Repayable in equal annual installments of $37,442 including interest @ 5.74% per annum, maturing January 21, 2008.	185,626	26,787	158,839
Kensington Repayable in equal annual installments of $49,143 including interest @ 6.70% per annum, maturing November 8, 2009.	296,892	29,252	267,640
North Rustico Repayable in equal annual installments of $38,936 including interest @ 6.79% per annum, maturing March 24, 2010.	234,403	23,020	211,383
Charlottetown (Oak Tree) Repayable in equal annual installments of $197,398 including interest @ 6.79% per annum, maturing March 24, 2010.	1,188,375	116,707	1,071,668
Cardigan Repayable in equal annual installments of $55,381 including interest @ 6.40% per annum, maturing February 16, 2011.	370,218	31,688	338,530

Summerside (Waterfront) Repayable in equal annual installments of $88,042 including interest @ 6.77% per annum, maturing July 18, 2011.	625,000	45,730	579,270
Financial Information System Repayable in equal annual installments of $195,599 including interest @ 6.57% per annum, maturing March 28, 2012	1,401,530	103,518	1,298,012
	$5,076,491	$571,746	$4,504,745

The total principal repayment for the next five years is as follows:

2003	$ 571,746
2004	613,746
2005	658,912
2006	522,419
2007	557,284
Total	$2,924,107

4. Leases

The Prince Edward Island Liquor Control Commission leases 12 retail outlets and various pieces of computer hardware and software which have maturity dates between 2003 and 2016. Future minimum lease payments are as follows:

Fiscal Years	Amount
2003	$ 927,767
2004	724,262
2005	570,250
2006	446,445
2007	372,800
2008-2016	1,754,821
	$4,796,345

5. Pension Benefits

The employees of the Prince Edward Island Liquor Control Commission are entitled to pension benefits under the terms of their employment. The employer's share of the benefits plus any additional future actuarial liabilities are assumed by the Province of P.E.I. and are not reflected in the Commission's financial statements.